

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 EB-08 FRB-03
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7949
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USDOC WASHDC

C O N F I D E N T I A L LONDON 10825

USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE; DEPARTMENT OF LABOR;
TREASURY FOR DONALD E. SYVRUD, OASIA

E.O. 11652: GDS
TAGS: EFIN, ELAB, PINT, UK
SUBJECT: INCOMES POLICY: WHITE PAPER IMMINENT

REF: LONDON 9273

SUMMARY: ACCORDING TO HMTREASURY SOURCE, HMG INTENDS TO
PUBLISH A WHITE PAPER ON PAY POLICY DURING THE SECOND
HALF OF JULY, WHICH COULD BE CAST IN TERMS OF A SINGLE
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DIGIT FIGURE. THE GENERAL STRATEGY IS SIMILAR TO THE CUR-
RENT ONE OF GOVERNMENT FIRMNESS IN THE PUBLIC SECTOR
COUPLED WITH THE USE OF SANCTIONS AGAINST PRIVATE SECTOR
FIRMS DEEMED TO HAVE BREACHED THE POLICY GUIDELINE. END
SUMMARY

1. ACCORDING TO A SENIOR HMTREASURY CIVIL SERVANT, (PRO-

TECT), THE WHITE PAPER SPELLING OUT DETAILS OF THE NEXT ROUND OF PAY POLICY IS SCHEDULED FOR CABINET CONSIDERATION DURING THE WEEK OF JULY 10. APPROVAL IS ANTICIPATED. THE SOURCE INDICATED THAT THE WHITE PAPER WILL CONTAIN A SINGLE DIGIT FIGURE AS THE TARGET FOR WAGE INCREASES IN SETTLEMENTS REACHED IN THE YEAR BEGINNING AUG. 1, 1978. THIS, IT IS HOPED, WILL PRODUCE AN OVERALL RISE IN EARNINGS OF LESS THAN 10 PERCENT.

2. THE SOURCE INDICATED THAT GOVERNMENT STRATEGY FOR THE COMING ROUND CENTERS ON CONTINUED RESISTANCE TO SETTLEMENTS ABOVE THE WHITE PAPER FIGURE IN THE PUBLIC SECTOR. IN THE PRIVATE SECTOR, THE GOVERNMENT WILL AGAIN RESORT TO THE USE OF SANCTIONS, E.G., A DENIAL OF PUBLIC CONTRACTS, AS A MEANS OF DISCOURAGING FIRMS FROM STRETCHING THE POLICY. LAST JANUARY AND FEBRUARY, HMG'S USE OF SUCH SANCTIONS PRODUCED A COMMONS ROW OVER THE ARBITRARY "BLACK LISTING" OF EMPLOYERS DEEMED TO BE IN BREACH OF THE PAY POLICY.

3. IN RECENT WEEKS THE GOVERNMENT HAS MOVED TO PREPARE THE GROUND FOR THE PUBLICATION OF THE WHITE PAPER. THE PRIME MINISTER HAS PUBLICLY DESCRIBED THE NEED FOR PAY MODERATION TO TRADE UNION AUDIENCES (SEE LONDON 10731). HOWEVER HMG HAS PLAYED ITS CARDS VERY CLOSELY, DELIBERATELY KEEPING DETAILS OF THE WHITE PAPER FROM BOTH TRADE

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UNION AND INDUSTRY LEADERS, FEARING THAT A PREMATURE LEAK COULD JEOPARDIZE ITS CHANCES OF GARNERING WIDE PUBLIC AND RANK AND FILE TRADE UNION SUPPORT. DESPITE ITS CAUTION,

SEGMENTS OF ORGANIZED LABOR TO YET ANOTHER IMPOSED PAY NORM -- ESPECIALLY IN THE LIGHT OF FORWARD COMMITMENTS TO FIREMEN, POLICEMEN, THE ARMED FORCES, DOCTORS AND DENTISTS THAT EXCEED THE EXPECTED LIMITS OF THE NEW PAY POLICY. BY SURFACING THE WHITE PAPER WITHOUT PRIOR NOTICE OF THE DETAILS, HMG IS BETTING THAT IT CAN CONFINE THESE INEVITABLE PROTESTS. ANYTHING MORE MIGHT UNDERMINE HMG'S PROBABLE ELECTORAL CLAIM TO BE BETTER ABLE TO DEAL WITH TRADE UNIONS.

BREWSTER

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